

Message Text

SECRET

PAGE 01 STATE 048024

70

ORIGIN NEA-12

INFO OCT-01 EUR-25 ADP-00 SS-14 EB-11 L-03 H-02 INR-09

PM-09 PRS-01 NSC-10 CIAE-00 NSAE-00 RSC-01 /098 R

DRAFTED BY NEA/ IRN: JHROUSE, JR.: ML

3/15/73 EXT 20574

APPROVED BY NEA/ IRN - JACK C. MIKLOS

EB/ FSE - MR. BROWN (PHONE)

----- 065007

R 152048 Z MAR 73

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

INFO AMEMBASSY LONDON

S E C R E T STATE 048024

E. O. 11652: GDS

TAGS: ENRG, IR

SUBJECT: OIL - GOI/ CONSORTIUM NEGOTIATIONS

REF: TEHRAN 1634

FOLLOWING IS TEXT OF MEMORANDUM PREPARED BY CONSORTIUM AND
AGREED TO BY DR. FALLAH SETTING FORTH UNDERSTANDING REACHED
IN ST. MORITZ BETWEEN SHAH AND CONSORTIUM REPS. QUOTE:

DURING DISCUSSIONS IN ST. MORITZ IN FEBRUARY, 1973 BETWEEN
H. I. M. AND REPRESENTATIVES OF THE CONSORTIUM MEMBER
COMPANIES THE FUNDAMENTAL PRINCIPLES GOVERNING THE NEW
ARRANGEMENTS TO BE ENTERED INTO BETWEEN IRAN AND THE
COMPANIES WERE AGREED.

1. NEW AGREEMENT

THESE ARRANGEMENTS WILL BE SET OUT IN A NEW AGREEMENT TO
REPLACE THE 1954 OIL AGREEMENT UNDER WHICH N. I. O. C. ON
BEHALF OF IRAN WILL BE THE OWNER AND OPERATOR IN THE
AGREEMENT AREA AND WILL SELL TO THE COMPANIES, AT WELL-
SECRET

SECRET

PAGE 02 STATE 048024

HEAD, CRUDE OIL FOR EXPORT.

2. CONDUCT OF OPERATIONS

N. I. O. C., AS OPERATOR, WILL BE RESPONSIBLE FOR OPERATIONS AND WILL INITIALLY AND FOR AS LONG AS NECESSARY EMPLOY A SERVICE CONTRACTOR TO CARRY ON ALL OPERATIONS WITHIN THE AGREEMENT AREA. THE SERVICE CONTRACTOR SHALL BE A NEW COMPANY TO BE INCORPORATED IN IRAN BY THE COMPANIES. THIS COMPANY SHALL HAVE IRANIAN NATIONALITY AND SHALL BE A NON-PROFIT- MAKING COMPANY. THE SERVICE CONTRACT WILL BE FOR FIVE YEARS INITIALLY WITH AUTOMATIC YEARLY EXTENSIONS SUBJECT TO TERMINATION BY EITHER PARTY ON TWO YEARS' NOTICE.

THE SERVICE CONTRACTOR SHALL PREPARE AND SUBMIT TO N. I. O. C. FOR APPROVAL THREE MONTHS PRIOR TO THE BEGINNING OF EACH YEAR THE CAPACITY DEVELOPMENT PROGRAMS AND THE CAPITAL AND OPERATING BUDGETS.

THE CAPACITY DEVELOPMENT PROGRAMS SHALL PROVIDE FOR ACHIEVING 8,000,000 B/ D TOTAL INSTALLED CRUDE OIL PRODUCTION CAPACITY BY 1 ST OCTOBER, 1976, PROVIDED THAT THIS IS TECHNICALLY FEASIBLE AND ECONOMICALLY JUSTIFIABLE.

MUTUALLY SATISFACTORY PROCEDURES TO BE FOLLOWED IF THE SERVICE CONTRACT IS TERMINATED WILL BE INCLUDED IN THE NEW AGREEMENT FOR THE DETERMINATION OF CAPACITY DEVELOPMENT PROGRAMS AND CAPITAL AND OPERATING BUDGETS.

3. PROVISION OF CAPITAL

N. I. O. C. WILL PROVIDE OR PROCURE ALL CAPITAL REQUIRED. THE COMPANIES WILL HAVE THE OPTION OF MAKING THEIR FUNDS AVAILABLE TO N. I. O. C. PROVIDED THESE SUMS ARE ADVANCE PAYMENTS FOR CRUDE OIL TO BE PURCHASED BY THE COMPANIES OVER A PERIOD.

IF THE COMPANIES EXERCISE THIS OPTION THE FUNDS SO ADVANCED WILL BE A FIXED PROPORTION OF ANNUAL BUDGETED CAPITAL EXPENDITURE UP TO 100 PERCENT. THE COMPANIES WILL
SECRET

SECRET

PAGE 03 STATE 048024

ADVISE N. I. O. C. SHORTLY OF SUCH PROPORTION.

4. OIL FOR EXPORT

N. I. O. C. WILL RETAIN AT COST OIL REQUIRED FOR LOCAL CONSUMPTION AND IN ADDITION OIL FOR EXPORT BEGINNING IN 1973 IN ACCORDANCE WITH THE FOLLOWING TABLE:

	MB/ D		MB/ D
1973	200	1978	900
1974	300	1979	1,100
1975	450	1980	1,300
1976	600	1981	1,500
1977	750		

THE PROPORTION THESE VOLUMES REPRESENT OF TOTAL EXPORT AVAILABILITY IN 1981 WOULD BE MAINTAINED AFTER 1981.

N. I. O. C. WILL SELL TO THE COMPANIES AT THE WELLHEAD THE REMAINDER OF THE CRUDE OIL AVAILABLE FOR EXPORT FROM THE AGREEMENT AREA.

CRUDE OIL AVAILABLE FOR EXPORT WILL BE SOLD TO THE COMPANIES BY GRADE PRO RATA TO EACH GRADE OF CRUDE OIL' S PROPORTION OF THE TOTAL EXPORT CRUDE AVAILABILITY.

5. PRICE PAYABLE BY THE COMPANIES

THE PRICE PAYABLE TO N. I. O. C. FOR OIL PURCHASED BY THE COMPANIES WILL BE THE SUM OF STATED PAYMENT, OPERATING COSTS (WHICH INCLUDE ALL COSTS UP TO THE POINT OF LOADING) AND A FEE. THE LEVEL OF THIS FEE WILL BE SUCH AS TO ASSURE IRAN THAT THE TOTAL FINANCIAL EFFECT TO IRAN UNDER THE NEW ARRANGEMENTS SHALL BE GENERALLY COMPARABLE TO THAT IRAN WOULD HAVE RECEIVED UNDER ARRANGEMENTS RECENTLY CONCLUDED BY SOME OF THE COMPANIES WITH SEVERAL OTHER COUNTRIES IN THE PERSIAN GULF.

THE NEW AGREEMENT SHALL ALSO SPECIFY THE PROCEDURE TO BE FOLLOWED TO ADJUST PERIODICALLY AND PROSPECTIVELY THE FEE SO AS TO ACHIEVE THE FINANCIAL OBJECTIVE STATED ABOVE. TO
SECRET

SECRET

PAGE 04 STATE 048024

THE EXTENT THAT ANY ALLOWANCE IS REQUIRED FOR THE PROVISION OF CAPITAL BY N. I. O. C. OR THE COMPANIES, SUCH ALLOWANCE SHALL FOR THE PURPOSE OF THIS CALCULATION BE LIMITED TO THE APPLICATION OF A COMMERCIAL RATE OF INTEREST.

6. THE NEW AGREEMENT WILL BE EFFECTIVE FROM THE BEGINNING OF THE IRANIAN YEAR 1352 UNTIL THE END OF THE IRANIAN YEAR 1371 AND WILL BE ON THE BASIS THAT ALL OUTSTANDING ISSUES ARE SETTLED AND WILL CONTAIN THE PROVISIONS OF THE 1954 AGREEMENT AND RELATED ARRANGEMENTS, AMENDED AS REQUIRED TO GIVE EFFECT TO THE NEW ARRANGEMENTS.

7. TWO YEARS BEFORE TERMINATION OF THE NEW AGREEMENT THE COMPANIES WILL APPROACH N. I. O. C. TO SEE WHETHER IN THE LIGHT OF THE THEN PRODUCING CAPACITY AND RESERVES N. I. O. C. WOULD WISH TO OFFER QUANTITIES OF OIL TO THE COMPANIES FOR A FURTHER FIVE YEARS ON REVISED TERMS. UNQUOTE. ROGERS

SECRET

*** Current Handling Restrictions *** n/a

*** Current Classification *** SECRET

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE048024
Document Source: CORE
Document Unique ID: 00
Drafter: JHROUSE, JR.: ML
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730329/aaahtzp.tel
Line Count: 185
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 73 TEHRAN 1634
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Jul-2001 by izenbei0>; APPROVED <23-Aug-2001 by worrelsw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 971203
Subject: OIL - GOI/ CONSORTIUM NEGOTIATIONS
TAGS: ENRG, IR
To: TEHRAN INFO LONDON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005